



IDLC brings home-buying dreams within reach

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It's probably everyone's dream and aspiration to one day own their own home, and especially so for someone who resides in rental property. But it would be a tall order for the lower to middle income groups to afford it at once too.

It is here that IDLC Finance steps in with an offer to pitch in 70 percent of the cost of an apartment within just 10 days, and the buyer paying the rest.

The institutional financier is offering home loans under its consumer financing branch at affordable interest rates and in the fastest time to clients.

"We are an old player in home financing that accounts for 40 percent of our current assets. We want to be a market leader in this segment," says Arif Khan, managing director of IDLC Finance.

IDLC targets to disburse Tk 800 crore as home loans this year, to add to its total outstanding credit of Tk 2,000 crore in house financing.

Although the average interest rate in home loan is between 10.5 percent and 11 percent, IDLC is offering the credit at 9 percent to its best clients.

Apart from the low interest rate, which was between 15 percent and 16 percent even a few years back, property prices have also gone down by around 40 percent while per capita income is increasing.

"So, more and more financial institutions are focusing on consumer financing. It is now a general view that the retail market will grow in this country," says Khan, adding that their target groups are people between 20 and 25 years, who are residing in rental property.

Citing a report of Boston Consulting Group, he says though Bangladesh's per capita income is \$1,500, the per capita income of 1.2 crore people is more than \$5,000 in Bangladesh. The number will increase three times in the next 10 years.

"If we can introduce low-cost home



Arif Khan

financing with policy support from the government, Bangladesh will see a massive change in this sector," says Khan, who served as a commissioner of Bangladesh Securities and Exchange Commission prior to joining IDLC.

IDLC has also started discussions with some multilateral agencies on how to reach marginalised clients and provide them with low-cost home financing by introducing new products.

"Our neighbouring India is successfully operating such low-cost house financing products for the marginalised people," he says.

The loan's term period should be

longer than the existing period. "We should find a way to provide loans for at least a 30-year term, instead of the existing 15-year term," he says.

Although IDLC is more focused on Dhaka, Chittagong and a few other districts, the financier is now planning to expand its reach.

With increasing per capita income and a steady growth in remittance inflow, people in small towns are constructing their own homes. "So, there is huge potential for us to serve that segment of the market," he says.

Experience shows that the ratio of non-performing loans, which is now

within 2 percent, would be less in those small areas than in Dhaka and Chittagong. "We are planning to expand our operations, focusing on those areas where we can recover the loans."

IDLC, which has around 1,300 employees, will aggressively market outside Dhaka and Chittagong through its district branches.

It plans to open five more branches - in Mymensingh, Noakhali, Faridpur, Barisal and Rajshahi -- targeting the district level consumers. IDLC, which has 35 branches across the country, will also open a branch on Elephant Road

in Dhaka by June next year.

IDLC has a keen focus on small and medium enterprise financing as well. "As banks are the main competitors of the non-bank financial institutions, we realised some 10 years ago that we have to diversify our products. So, we went for SME and consumers products," says Khan, adding that SME financing accounts for 43 percent of IDLC's portfolio.

It targets to disburse Tk 900 crore in the SME sector this year. The existing portfolio is around Tk 2,500 crore, with a client size of about 10,500.

"We are a multi-product financial institution. We want to maximise the value of the shareholders, maximise return for stakeholders -- the government and the employees," Khan says.

IDLC was set up in 1985 in collaboration with international development agencies and local institutions. The foreign sponsors were International Finance Corporation of World Bank, Aga Khan Fund for Economic Development, German Investment and Development Company, and Kookmin Bank and Korean Development Leasing Corporation of South Korea, while the sponsors were City Bank, IPDC of Bangladesh and Sadharan Bima Corporation.

As the company evolved, the initial foreign shareholding of 49 percent was gradually withdrawn and the last foreign shareholding was bought out by local sponsors in 2009.

Listed on the stockmarket in 1992, IDLC is a blue-chip security that pays out healthy dividends to shareholders every year. It disbursed 10 percent cash and 25 percent bonus dividends in 2014 and 25 percent cash dividends in 2015.

Its net profit stood at Tk 145.92 crore at the end of 2015 and basic earnings per share at Tk 5.81, up from Tk 124.55 crore and Tk 4.95 respectively a year ago.

Sponsors own a 59.66 percent stake in IDLC, institutional investors 23.31 percent, foreign investors 3.44 percent and the general public 13.59 percent.

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